

**SOUTH CAROLINA
FORESTRY COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 9, 2020

Mr. Scott Phillips, State Forester
and
Members of the South Carolina Forestry Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Forestry Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2019. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures Related to the South Carolina Forestry Commission (P12)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$260,000 in the General, Earmarked, and Federal funds, and 10%.
2. Haphazardly select ten cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2019 Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.
3. Confirm that any agency fee increases are in accordance with Proviso 117.7 of the fiscal year 2019 Appropriation Act.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations for the following General Ledger account series: General Fund: 503 - Supplies and Materials; Earmarked Fund: 503 - Supplies and Materials, 507 - Land, Buildings, & Infrastructure, 509 - Taxes Paid, and 515 - Utilities; and Federal Fund: 515 - Utilities.
5. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
6. Haphazardly select eight purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2019 and inspect supporting documentation to determine:
- The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Commission policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Finding

We identified equipment purchases totaling \$8,671 which were coded to a supplies account but should have been coded to the low value asset general ledger account, 1801099000. Because the purchases related to other low value assets, the basis of the related low value assets was understated.

Management's Response

We will strive to accurately classify all assets and include all components into the value of the asset. We have already checked all assets purchased in FY 2020 and made corrections to include any components into their value.

Payroll

7. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
8. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
9. Haphazardly select ten employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last paycheck was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Haphazardly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.

Payroll (Continued)

11. Haphazardly select three bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Commission policy.
 - The bonus pay was approved by the appropriate supervisor.
12. Confirm that salaries are paid in full to officers and employees of the Commission for all services rendered. Confirm that the fair market rental value of any residence furnished to a state employee is reported by the Commission furnishing the residence to the Agency Head Salary Commission and the Department of Administration by October 1st of the fiscal year. In addition, confirm that designated employee reward programs have written criteria approved by the Commission.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

13. Haphazardly select five journal entries and transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

14. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
15. In addition to the procedure above, perform the following:
 - Inventory Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on an inspection of the South Carolina Enterprise Information System (SCEIS) Yearend Reporting - Inventory report and/or Commission prepared records.
 - Accounts Payable

Determine if reported amounts are accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor report, SCEIS Yearend Reporting – Inter-Agency Prior Year Payables report, and/or Commission prepared records. Additionally, haphazardly select five payables to determine if reported amounts were properly identified, classified, and reported on the Accounts Payable Summary Form.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Confirm that the Commission submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records.

Findings

Accounts Payable Reporting Package - The Commission understated their vendor payables balance by \$28,095 on the accounts payable summary form by misclassifying a payable in the other current liability balance instead.

Subsequent Events Questionnaire - The Commission did not complete all actions required by the questionnaire's instructions including reporting the current control in place to prevent late leave submissions and reporting the modified current control to prevent future late leave submissions to the Office of the Comptroller General.

Management's Response

We concur with these findings and will strive to classify vendor payables accurately and provide all requested documentation in the future.

Assets and Personal Property

16. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
17. Haphazardly select five capital asset retirements and inspect supporting documentation and the SCEIS Asset History Sheet to determine that each asset was approved for removal and that the asset was properly removed from the Commission's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
18. Confirm that an inventory of the Commission's property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

The Commission understated the capitalized value of multiple assets by a total of \$4,072 due to not capitalizing all costs to acquire the assets and all costs required to place the assets into service.

Management's Response

The Commission will correct how components are entered on the procurement side so that they will be included in the value of the asset when capitalized.

Appropriation Act

19. Confirm that the Commission submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.

We found no exceptions as a result of the procedure.

Status of Prior Findings

20. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Commission has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year.